

Commissioners, in our August 12<sup>th</sup> Commission Meeting, you directed Commissioner Stephens and me to negotiate directly with the creditors and we've done so.

Here are some of the changes that have been included in the term sheet you have before you today:

- This term sheet includes an additional \$12 million in firm concessions. (Section 1.)
- This term sheet incorporates the County's option to accept a surety bond to lower amount of money borrowed by more than \$100 million. (Section 1.c.)
- This term sheet includes the pledge of net sewer revenues, not gross sewer revenues. (Section 1.d.)
- This term sheet incorporates the County's option to purchase up to \$1.0 billion of bond insurance to lower the interest rate. (Section 1.f.)
- This term sheet insures the Commission's participation in all GUSC appointments. (Section 2.a.)
- This term sheet includes the GUSC's ability to file Chapter 9. (Section 2.b.)
- This term sheet assures the County's right to return of the system assets upon the satisfaction of the Refinancing debt. (Section 2.c.)
- This term sheet protects the sewer assets from being sold, transferred or otherwise encumbered by the GUSC without the approval of the County. (Section 2.c.)
- The term sheet allows the County to retain the sewer assets if Refinancing can be accomplished without transferring them to the GUSC or if the Refinancing is unsuccessful. (Section 2.c.)
- This term sheet includes the payment of reasonable fees by independent consultants to verify the Receiver's financing and operating models. (Section 3.)
- This term sheet has annual, single digit rate increases, instead of the 2 increases in 6 months and the 3 increases in 18 months proposed in the last creditor's term sheet. (Section 4.)
- This term sheet has single digit rate increases in the first 3 years of no more than 8.2%. An increase of this amount would increase the median residential monthly sewer bill of \$37.74, based on ESD numbers, in the first year \$3.10. This is only \$0.15 per month on the median sewer bill more than the 7.8% increase the County proposed in July. (Section 4.)
- This term sheet includes future projected increases beginning in year 4 of no more than 3.25% for operating expenses and capital requirements; the actual required rate increase each year could be less. (Section 4.)
- This term sheet eliminates the requirement that failed septic tanks users must hook-up to the sewer. (Section 7.b.i.)
- This term sheet implicitly acknowledges the right of the County to file Chapter 9. (Section 7.i.)

David Carrington  
September 16, 2011